

Direct Loans

William D. Ford Federal Direct Loan Program

William D. Ford Federal Direct Loan Program Direct Subsidized Loans and Direct Unsubsidized Loans

1. General information. You are receiving a student loan to help cover the costs of your education. This Plain Language Disclosure (Disclosure) summarizes information about your loan. Please read this Disclosure carefully. In this Disclosure, the words "we," "us," and "our" refer to the U.S. Department of Education. If you have questions about your loan, contact our Direct Loan Servicing Center. The Direct Loan Servicing Center's telephone number and address are shown on correspondence you will receive related to your loan.

You must repay this loan, even if you are unhappy with your education, do not complete it, or cannot find work in your area of study. Borrow only the amount you need.

2. Master Promissory Note (MPN). You are receiving a loan under an MPN that you signed previously. You may receive additional loans under that MPN for up to 10 years if you continue to attend school and if your school is authorized and chooses to make multiple loans under the same MPN. If your school is not authorized or chooses not to make multiple loans under the same MPN, or if you do not want to receive more than one loan under the same MPN, you must sign a new MPN for each loan. If you do not want to receive more than one loan under the same MPN, you must notify your school or the Direct Loan Servicing Center in writing.

3. Loan terms and conditions. This Disclosure summarizes information about your loan. Please refer to your MPN and the Borrower's Rights and Responsibilities Statement that you received previously for the complete terms and conditions of your loan. If you need another copy of the Borrower's Rights and Responsibilities Statement, contact the Direct Loan Servicing Center. Unless we tell you otherwise in this Disclosure, your MPN and the Borrower's Rights and Responsibilities Statement control the terms and conditions of your loan. Loans made under your MPN are subject to the Higher Education Act of 1965, as amended, and federal regulations. Any changes to the law or regulations govern the terms of any loans disbursed on or after the effective date of the changes.

4. Use of loan money. You may use your loan money only to pay for educational expenses (for example, tuition, room, board, books) at the school that determined you were eligible to receive the loan.

5. Information you must report. While you are still in school, you must notify your school if you:

- Change your local address, permanent address, or telephone number;
- Change your name (for example, maiden name to married name);
- Do not enroll at least half-time for the enrollment period certified by the school;
- Do not enroll at the school that determined you were eligible to receive the loan;
- Stop attending school or drop below half-time enrollment;
- Transfer from one school to another school; or
- Graduate.

You must also notify the Direct Loan Servicing Center of any of the above changes at any time after you receive your loan. In addition, you must notify the Direct Loan Servicing Center if you:

- Change employers or if your employer's address or phone number changes; or
- Have any other change in status that affects your loan (for example, if you received a deferment but no longer meet the eligibility requirements for that deferment).

6. Amount you may borrow. There are limits on the amount you may borrow each academic year (annual loan limits) and in total (aggregate loan limits), as explained in the Borrower's Rights and Responsibilities Statement. You cannot borrow more than these limits.

7. Interest. The interest rate on your loan is a variable rate which can change each year on July 1. As a result, your interest rate may change annually, but it will never be more than 8.25%. We will notify you annually of the actual interest rate for each loan that you receive.

We do not charge interest on Direct Subsidized Loans while you are enrolled in school at least half-time, during your grace period, and during deferment periods. We charge interest on Direct Subsidized Loans during

all other periods (starting on the day after your grace period ends), including forbearance periods.

We charge interest on Direct Unsubsidized Loans during all periods (starting on the day your loan is paid out). This includes periods while you are enrolled in school, during your grace period, and during deferment and forbearance periods. Therefore, you will pay more interest on Direct Unsubsidized Loans than on Direct Subsidized Loans.

If you do not pay the interest that is charged to you during in-school, deferment, and forbearance periods, we will add it to the unpaid amount of your loan. This is called capitalization. Capitalization increases the unpaid amount of your loan, and we will then charge interest on the increased amount.

8. Loan fee. We charge a loan fee on your loan of up to 4 percent of the principal amount of the loan. This fee will be subtracted proportionately from each disbursement of your loan.

9. Repayment incentive programs. A repayment incentive is a benefit that we offer to encourage you to repay your loan on time. Under a repayment incentive program, the interest rate we charge on your loan may be reduced. Some repayment incentive programs require you to make a certain number of payments on time to keep the reduced interest rate. There are two repayment incentive programs that may be available to you (*Interest Rate Reduction for Electronic Debit Account Repayment* and *Up-Front Interest Rebate*). These repayment incentive programs are described in the Borrower's Rights and Responsibilities Statement. The Direct Loan Servicing Center can provide you with more information on other repayment incentive programs that may be available.

10. Disbursement of loan money. Generally, your school will disburse (pay out) your loan money in more than one installment, usually at the beginning of each academic term (for example, at the beginning of each semester or quarter). If your school does not use terms, it will generally disburse your loan in at least two installments, one at the beginning of the period of study for which you are receiving the loan and one at the midpoint of that period of study. Your school may disburse your loan money by crediting it to your student account, or may give it to you directly by check or other means. The Direct Loan Servicing Center will notify you each time your school disburses a portion of your loan.

11. Canceling your loan. Before your loan money is disbursed, you may cancel all or part of your loan at any time by notifying your school. After your loan money is disbursed, there are two ways to cancel all or part of your loan:

- Within 14 days after the date your school notifies you that it has credited loan money to your account at the school, or by the first day of your school's payment period, whichever is later (your school can tell you the first day of the payment period), you may tell your school that you want to cancel all or part of the loan money that was credited to your account. Your school will return the cancelled loan amount to us. You do not have to pay interest or the loan fee on the part of your loan that you tell your school to cancel within these timeframes. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you tell your school to cancel. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that was cancelled.

If you ask your school to cancel all or part of your loan outside the timeframes described above, your school may process your cancellation request, but it is not required to do so.

- Within 120 days of the date your school disbursed your loan money (by crediting the loan money to your account at the school, by paying it directly to you, or both), you may return all or part of your loan to us. Contact the Direct Loan Servicing Center for guidance on how and where to return your loan money. You do not have to pay interest or the loan fee on the part of your loan that you return within 120 days of the date that part of your loan is disbursed. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you return. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that you return.

12. Grace period. You will receive a 6-month grace period on repayment that starts the day after you stop attending school or drop below half-time enrollment. You do not have to begin making payments on your loan until after your grace period ends.

13. Repaying your loan. You must repay each loan that you receive according to the repayment schedule provided by the Direct Loan Servicing Center. You must begin repaying your loan after your grace period ends. The amount of time you have to repay your loan (the repayment period) will vary from 10 to 30 years, depending on the repayment plan that you choose and the total amount you have borrowed. You may choose one of the following repayment plans:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan
- Income Contingent Repayment Plan

These plans are designed to give you flexibility in meeting your obligation to repay your loan. The Borrower's Rights and Responsibilities Statement explains the terms and conditions of each repayment plan. You may change repayment plans at any time after you have begun repaying your loan. You may make loan payments before they are due, or pay more than the amount due each month, without penalty. When you have repaid a loan in full, the Direct Loan Servicing Center will send you a letter telling you that you have paid off your loan. You should keep this letter in a safe place.

14. Late charges and collection costs. We may require you to pay a late charge if you do not make any part of a payment within 30 days after it is due. We may also require you to pay other charges and fees involved in collecting your loan.

15. Demand for immediate repayment. The entire unpaid amount of your loan becomes due and payable (on your MPN this is called "acceleration") if you:

- Receive loan money but do not enroll at least half-time at the school that determined you were eligible to receive the loan;
- Use your loan money to pay for anything other than educational expenses at the school that determined you were eligible to receive the loan;
- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

16. Default. You are in default on your loan if you:

- Do not repay the entire unpaid amount of your loan if we require you to do so;
- Have not made a payment on your loan for at least 270 days; or
- Do not comply with other terms and conditions of your loan, and we conclude that you no longer intend to honor your obligation to repay your loan.

If you default on your loan, we will report your default to national credit bureaus. We may sue you, take all or part of your federal tax refund, and/or garnish your wages so that your employer is required to send us part of your salary to pay off your loan. We will require you to pay reasonable collection fees and costs, plus court costs and attorney fees. You will lose eligibility for other federal student aid and assistance under most federal benefit programs. You will lose eligibility for loan deferments.

17. Credit bureau notification. We will report information about your loan to one or more national credit bureaus. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments).

18. Deferment and forbearance (postponing payments). If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. For example, you may receive a deferment while you are attending school at least half-time or for up to 3 years while you are unemployed. For a complete list of deferments, refer to

the Borrower's Rights and Responsibilities Statement. We do not charge interest on Direct Subsidized Loans during deferment periods. However, we do charge interest on Direct Unsubsidized Loans during deferment periods.

If you cannot make your scheduled loan payments but do not qualify for a deferment, we may give you a **forbearance**. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. For example, we may give you a forbearance if you are temporarily unable to make scheduled loan payments because of financial hardship or illness. We may also give you a forbearance under other conditions as described in the Borrower's Rights and Responsibilities Statement. We charge interest on both Direct Subsidized Loans and Direct Unsubsidized Loans during forbearance periods.

To request a deferment or forbearance, contact the Direct Loan Servicing Center.

19. Loan discharge. We may discharge (forgive) all or part of your loan if:

- You die, and we receive an original or certified copy of your death certificate;
- You are totally and permanently disabled, and you meet certain other requirements during a 3-year conditional discharge period;
- Your loan is discharged in bankruptcy;
- You were unable to complete your course of study because your school closed;
- Your school falsely certified your eligibility; or
- Your school did not pay a refund of your loan money that it was required to pay under federal regulations.

We may forgive up to \$5,000 of any loans you received under the Direct Loan or Federal Family Education Loan (FFEL) program after October 1, 1998 if you teach full-time for 5 consecutive years in certain low-income elementary and/or secondary schools and meet certain other qualifications, and if you did not owe a Direct Loan or FFEL program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998. Contact the Direct Loan Servicing Center for specific eligibility requirements.

In some cases, you may assert, as a defense against collection of your loan, that your school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if what your school did or did not do would give rise to a legal cause of action under applicable state law. If you believe that you have a defense against repayment of your loan, contact the Direct Loan Servicing Center.

20. Loan consolidation. You may consolidate (combine) one or more of your eligible federal education loans into one loan. Consolidation allows you to extend the period of time that you have to repay your loans, and to combine several loan debts into a single monthly payment. This may make it easier for you to repay your loans. However, you will pay more interest if you extend your repayment period through consolidation, since you will be making payments for a longer period of time. Contact the Direct Loan Servicing Center for more information about loan consolidation.